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SUBJECT: FRENCH, BRITISH SHARE CONCERNS ON CHINESE IRAN
INVESTMENTS

Classified By: ECON MINCOUNS SETH WINNICK FOR REASONS 2 B AND D

¶1. (C) Summary. On the margins of the annual OECD Executive Committee meetings on November 12, A/S Sullivan met with UK FCO Director for Global and Economic Issues Scott Wightman and subsequently with French MFA DG for Economic Affairs Christian Masset. The principal subject of their discussions was limiting foreign investment in the Iranian energy sector. End Summary.

Meeting with UK Director Wightman

¶2. (C) The United States seeks to discourage investments in the Iranian energy sector, stated Sullivan. He noted that reporting shows that Germany fears China, Malaysia, and India will replace Western investment, if it is withheld. He emphasized the need for concerted action in the form of a joint message, perhaps from the United States, France, UK, and EU, to China and others that now is not the time for business as usual with regard to concluding of large-scale investment deals in the energy sector, given the delicate state of diplomatic negotiations.

¶3. (C) FCO Director Wightman responded positively. He pointed out that Prime Minister Gordon Brown and Foreign Secretary wanted to find ways to increase pressure on

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Iran. Although Shell is interested in investing, it seeks to avoid finding itself in a position where it must make a binding commitment. Wightman recommended seeking a meeting with the FCO's Antony Phillipson, who has primary responsibility for Iran sanctions. [Note: Phillipson was unavailable on November 12 and 13, when A/S Sullivan was in London.]

Meeting with French Director General Masset

¶4. (C) In a separate meeting, D/G Masset confirmed that the GOF shares U.S. concerns that increased investment or trade by Chinese, Indian and Malaysian firms was counterproductive. Referring to the GOF's ongoing dialogue with French firms and demarches in EU capitals to discourage European investment in Iran, Masset said that France is also pressing for further measures in Brussels, such as increasing the number of EU "designations" of Iranian financial institutions. The MFA and the Elysee are looking closely at how to raise the issue with China,

particularly in the context of President Sarkozy's November 25 state visit there. Masset said he would insert USG concerns into the preparatory discussions. The GOF's initial analysis, he said, shows that Chinese "backfilling" is more possible in the oil sector but, despite greater technological challenges, could possibly occur in the natural gas sector. Noting GOF concern over the many companies who continue to exploit Dubai as an avenue for financial transactions, he asked about USG actions on this front. He also inquired as to the status of Congressional proposals relating to divestment from Iran and provisions that would allow waivers.

15. (C) A/S Sullivan said that the USG remains very vigilant regarding financial flows to Iran via Dubai, both through OFAC and terrorism finance-specific monitoring as well as through multilateral bodies such as the Financial Action Task Force. Although the joint Rice-Paulson announcement of additional measures against Iran received strong support in Congress, he said, certainly any new announced investment in Iran by China or others would certainly provoke intensified debate on foreign investment in Iran.

16. (C) A/S Sullivan has not cleared this message.

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